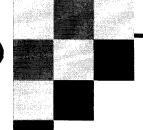
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MONTANA LEGISLATIVE AUDIT DIVISION



FINANCIAL-COMPLIANCE AUDIT

Department of Labor and Industry

For the Two Fiscal Years Ended June 30, 2009

NOVEMBER 2009

09-15

REPORT SUMMARY

The Department of Labor & Industry received American Recovery & Reinvestment Act funds during fiscal year 2008-09 in support of its Unemployment Insurance (UI) Program. UI benefits during fiscal year 2008-09 exceeded \$234 million, a 259 percent increase over the prior year.

Context

The department operates as part of a national employment, unemployment insurance, and training system. In addition, it is charged with enforcing labor laws and providing services to industry, including professional and occupational licensing.

The department classifies its expenditure activity in seven expenditure programs. The two largest of these are the Unemployment Insurance Division and Workforce Services Division. These two divisions employ just over 56 percent of the department's full-time equivalent employees and accounted for almost 89 percent of the department's fiscal year 2008-09 expenditures.

The department experienced significant increases in UI claims activity beginning in fiscal year 2007-08 and continuing through fiscal year 2008-09.

Not only does the department have a presence in Montana communities through the unemployment benefits it distributes, but also through its workforce centers.

Results

One of the report sections related to UI concerns a federally mandated function that includes review of UI claims decisions for compliance with state and federal law. At the end of January 2009, department management redirected all employees from this function to assist with processing UI claims activity,

which increased the risk of undetected errors in UI claims processed during the remainder of the year.

Two report sections discuss internal control issues related to personal services, travel, and procurement. Department employees did not follow established control procedures, which resulted in the department erroneously charging expenditures to various state and federal programs. Because department employees were not following established procedures, there is a high risk that there are more errors than those we identified. These issues affect all of the department's programs and funding sources. We believe the costs erroneously charged to federal assistance programs exceeded \$10.000.

Expenditures erroneously charged to federal programs are at risk of being denied for federal reimbursement. The federal government has been informed of these charges and may request reimbursement from the department.

Recommendation Cor	icurrence
Concur	9
Partially Concur	1
Do Not Concur	0

Source: Agency audit response included in final report.

Department of Labor & Industry

FY 2012 FY 2013 FTE

Sen. Wanzenried Rep. McChesney Rep. Edmunds Sen. Buttrey Sen. Olson Kep. Beck

01 Work Force Services
Page Present Law Adjustments

A-277 PL 0101 WSD Indirect Rate Adjustment 01000 General Funds \$20,943 \$20,664 A-277 PL 0101 WSD Indirect Rate Adjustment 02000 State/Other Special Rev. Funds \$20,9313 \$206,428 \$20,664 A-277 PL 0102 Incumbent Worker Program 02000 State/Other Special Rev. Funds \$50,090 \$50,090 \$50,090 \$50,090 A-278 PL 0105 Motor Pool Reduction 02000 State/Other Special Rev. Funds \$57,000 \$57,000 \$57,000 \$57,000 A-278 PL 0106 Motor Pool Reduction 02000 State/Other Special Rev. Funds \$57,228 \$50,228 \$50,228 \$50,220 A-278 NP 0107 Increased Federal Grant TAA 03000 Federal Spec. Rev. Funds \$735,000 \$735,000 \$735,000 \$735,000 A-278 NP 95101 5% Plan - Unspecified State Special Rev. Reduction 01000 Grateral Fund \$735,000 \$735,000 \$735,000 \$735,000 A-278 NP 95102 5% Plan - Unspecified State Stat	ŀ		4	4			-				
Pt. 0101 WSD Indirect Rate Adjustment											
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Pt. 0101 WSD Indirect Rate Adjustment											
Pt. 0101 WSD Indirect Rate Adjustment								m - already approved in starting point motion	le substitute for 5% item: see handout	m - already approved in starting point motion	m - already approved in starting point motion
PL 0101 WSD Indirect Rate Adjustment PL 0102 Incumbent Worker Program PL 0105 Displaced Homemaker Increase PL 0106 Motor Pool Reduction PL 0106 Motor Pool Reduction New Proposads NP 0107 Increased Federal Grant TAA NP 05101 5% Plan - Unspecified State Special Rev Reduction NP 95101 5% Plan - Unspecified State Special Rev Reduction NP 05100 5% Plan - Comm. Coll. Student Growth reduction (21st Century WorkForce) NP 05101 5% Plan - Comm. Coll. Student Growth reduction (21st Century WorkForce) NP 05101 5% Plan - Comm. Coll. Student Growth reduction (21st Century WorkForce)		\$20,960 \$209,313 \$423,978 654,251	23.674		(\$2,228) (\$5,201) (\$7,429)		\$735,000 \$735,000		(\$78,558) (\$78,358) (0.88) Possib		
PL 0101 WSD Indirect Rate Adjustment PL 0102 Incumbent Worker Program PL 0105 Displaced Homemaker Increase PL 0106 Motor Pool Reduction Acw Proposals NP 9107 Increased Federal Grant TAA NP 9107 Increased Federal Grant TAA NP 95101 5% Plan - Unspecified State Special Rev Reduction NP 55400 4% Personal Services Reduction NP 95102 5% Plan - Comm. Coll. Student Growth reduction NP 95102 5% Plan - Comm. Coll. Student Growth reduction NP 95102 5% Plan - Comm. Coll. Student Growth reduction NP 95102 5% Plan - Comm. Coll. Student Growth reduction NP 95102 5% Plan - Comm. Coll. Student Growth reduction (21st Century Work)	The second secon	01000 General Fund 02000 State/Other Special Rev. Fund 03000 Federal Spec. Rev. Funds TOTAL	02000 State/Other Special Rev. Fund	02000 State/Other Special Rev. Fund	02000 State/Other Special Rev. Fund 03000 Federal Spec. Rev. Funds TOTAL		03000 Federal Spec. Rev. Funds	02000 State/Other Special Rev. Fund	01000 General Fund		01000 General Fund
A-271 A-271 A-271 A-271 A-271 A-271					ļ	New Proposals	1)		?	NP 04101 596 Plan. Travel and Summiles Beduction
	0	A-277	A-277	A-278	A-278		A-278	A-272	A-278	A-272	CT.C. A

02 Unemployment Insurance

02000 State/Other Special Rev. Funds
03000 Federal Spec. Rev. Funds
TOTAL
02000 State/Other Special Rev. Funds
03000 Federal Spec. Rev. Funds
TOTAL Present Law Adjustments
Pt. 0201 UI Indirect Rate Adjustment PL 0202 UI Operating Increase A-282 A-282

\$186,490 \$185,951 3.00 03000 Federal Spec. Rev. Funds New Proposals
NP 0203 UI Modernization -3 FTE A-283

\$20,677 \$19,037 \$85,481 \$83,239 106,158 102,276 \$42,610 \$41,181 (\$103,968) (\$102,539) (61,358) (61,358)

03 Commissioner's Office/CSD Present Law Adjustments

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A-287	PL 0301 CSD Indirect Rate Adjustment	01000 General Fund	36,385 86,361
		02000 State/Other Special Rev. Funds	\$24,173 \$24,100
-		03000 Federal Spec. Rev. Funds	\$13,012 \$12,956
		06000 Proprietary Funds	\$253 \$249

TOTAL

Proprietary Rates

	A-291	A-29	A-291	
	Hearings Bureau Rates (06552 06574 BSD Legal/Hearings)	Office of Information Technology (OIT) direct/indirect rates (06568 Commissioner's Office/OIT	Negotiated Cost Allocation Rate (CAP) (06546 06547 CSD)	
	Internal service proprietary	Office/OIT) Internal service proprietary	Internal service proprietary	
	Budget on A-290	Budget on A-289	Budget on A-288	
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04 Employment Relations Division Present Law Adjustments

New Proposals 772 NP 95105 5% Plan : Reduction of Silicosis Benefits	PL 0405 Motor Pool Reduction	PL 0404 ERD General Operating Increase	PL 0402 Utilization and Treatment Gudelines	PL 0401 ERD indirect rate adjustment	The sent that will the sent th
01000 General Fund	02000 State/Other Special Rev. Funds (\$5,803) (\$5,803)	15/05/2	02000 State/Other Special Rev. Funds	01000 General Fund 02000 State/Other Special Rev. Funds 03000 Federal Spec. Rev. Funds TOTAL	
(\$28,460) (\$28,460)	(\$5,803) (\$5,803)	\$2,731 \$17,192 \$285 \$1,793 \$134,016 \$149,985	\$131,000 \$131,000	\$9,491 \$9,274 \$65,928 \$63,102 \$3,235 \$2,920 78,654 75,296	
5% item - already approved in starting point motion					
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05 Business Standards Division Present Law Adjustments

	ent ease	ent 02000 State/Other Special Rev. Funds 02000 State/Other Special Rev. Funds 02000 Federal Spec. Rev Funds TOTAL 02000 State/Other Special Rev. Funds	ent 02000 State/Other Special Rev. Funds 02000 State/Other Special Rev. Funds 02000 Federal Spec. Rev Funds TOTAL 02000 State/Other Special Rev. Funds
02000 State/Other Special Rev. Funds 03000 Federal Spec. Rev. Funds TOTAL 02000 State/Other Special Rev. Funds	02000 State/Other Special Rev. Funds \$204.997 \$201.203 03000 Federal Spec. Rev. Funds \$150 \$3156 TOTAL \$200.00 State/Other Special Rev. Funds \$205,157 \$201.359 02000 State/Other Special Rev. Funds \$97,824 \$102,047 02000 State/Other Special Rev. Funds \$100,000 \$100,000 02000 State/Other Special Rev. Funds \$100,000 \$100,000	02000 State/Other Special Rev. Funds \$204.997 \$201.203 \$150 \$155 \$150 \$155 \$150 \$155 \$150 \$155 \$150 \$155 \$150 \$155 \$150 \$155 \$155	02000 State/Other Special Rev. Funds 03000 Federal Spec. Rev. Funds 03000 Federal Spec. Rev. Funds 03000 State/Other Special Rev. Funds 02000 State/Other Special Rev. Funds
	\$204,997 \$201,203 \$160 \$156 \$205,137 \$201,359 \$48,192 \$120,147 \$97,824 \$102,047 \$100,000 \$100,000 \$101,439) \$104,439	\$204.997 \$201,203 \$160 \$156 \$205,157 \$201,359 \$48,192 \$120,147 \$97,824 \$102,047 \$100,000 \$100,000 \$100,439) \$100,439)	\$204,997 \$201,203 \$160 \$156 \$205,157 \$201,359 \$48,192 \$212,147 \$97,824 \$102,047 \$100,000 \$100,000 \$10,439) \$(\$10,439)

07 Office of Community Services New Proposals

100 TO 10	//////////////////////////////////////
	A-2/2 NP 93 I/A 3% Plan - Ceneral Operating Expense Reduction
TOTAL	01000 General
seral opec. Kev. runds	ral Fund
(12,292) (12,292)	(\$6,146) (\$6,146)
	5% item - al
	ready approved in starting point motion

09 Workers Compensation Court Present Law Adjustments

A-307		A-306
ngent upon passa	The workers' componential or appropriation	PL 0902 WCC General Operating Increase
ge and approval of legislation providing a process for such a substitution to occur.		02000 State/Other Special Rev. Funds \$3,408 \$4,800